

MARKET CONDUCT EXAMINATION
OF
CASCADE NATIONAL INSURANCE COMPANY

2201 6TH AVENUE #1500
SEATTLE, WA 98121

October 1, 1999 –September 30, 2000



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May 24, 2001

The Honorable Mike Kreidler
Washington State Insurance Commissioner
Insurance Building
P.O. Box 40255
Olympia, Washington 98504

Dear Commissioner Kreidler:

Pursuant to your instructions and in compliance with the statutory requirements of RCW 48.03.010 and procedures promulgated by the National Association of Insurance Commissioners and the Office of the Insurance Commissioner (OIC), an examination of the market conduct affairs has been performed of:

Cascade National Insurance Company, NAIC #10175
2201 6th Avenue Suite 1500
Seattle, WA 98121.

This report of examination is respectfully submitted.

This was a full scope examination of the companies' activities in personal and commercial lines between October 1, 1999 and September 30, 2000 with the exception of complaints. The scope of the examination was expanded to include complaints received by the company beginning January 1, 1998 through the current date.

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CHIEF EXAMINER'S REPORT CERTIFICATION and ACKNOWLEDGEMENTS

This examination was conducted in accordance with Office of the Insurance Commissioner and National Association of Insurance Commissioners market conduct examination procedures. Sally Anne Carpenter, AIE, and Shirley M. Merrill of the Washington State Office of the Insurance Commissioner performed this examination and participated in the preparation of this report.

The examiners wish to express appreciation for the courtesy and cooperation extended by the personnel of Cascade National Insurance Company during the course of this market conduct examination.

I certify that the following is the report of the examination, that I have reviewed this report in conjunction with pertinent examination work papers, that this report meets the provisions for such reports prescribed by the Office of the Insurance Commissioner, and that this report is true and correct to the best of my knowledge and belief.

Leslie A. Krier, AIE, FLMI
Chief Market Conduct Examiner
Office of the Insurance Commissioner
State of Washington

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FOREWORD

This market conduct examination report is by exception and additional practices, procedures, and files subject to review during the examination were omitted from the report if no improprieties were indicated. Throughout the report, where cited, RCW refers to the Revised Code of Washington, and WAC refers to Washington Administrative Code.

Scope

Time Frame

The examination covered the company's operations from October 1, 1999 through September 30, 2000. This was the first examination of Cascade National Insurance Company and was performed on-site at the company's home office in Seattle, Washington.

Matters Examined

The examination included a review of the following areas:

Advertising	Agent licensing
Complaints	Underwriting and Rating
Rate & Form Filings	Cancellations and Non-Renewals
Claims Settlement Practices	

Sampling Standards

Methodology

In general, the sample for each test utilized in this examination falls within the following guidelines:

92 %	Confidence Level
+/- 5 %	Mathematical Tolerance.

These are the guidelines prescribed by the National Association of Insurance Commissioners in the Market Conduct Examiners Handbook.

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Regulatory Standards

Samples are tested for compliance with standards established by the OIC. The tests applied to sampled data will result in an error ratio, which determines whether or not a standard is met. If the error ratio found in the sample is, generally, less than 5%, the standard will be considered as "met." The standard in the area of agent licensing and appointment will not be met if any violation is identified. The standard in the area of filed rates and forms will not be met if any violation is identified. This will also apply when all records are examined, in lieu of a sample.

For those standards, which look for the existence of written procedures, or a process to be in place, the standard will be met based on the examiner's analysis of those procedures or processes. The analysis will include a determination of whether or not the company follows established procedures.

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HISTORY AND OPERATIONS

Cascade National Insurance Company was incorporated under the laws of Washington and commenced writing business in December 1994. Cascade National Insurance Company is a wholly owned subsidiary of Legend Holdings, Inc. The company was acquired by Legend Holdings on October 1, 1998 from Claredon National Insurance Company.

The company currently writes business in Washington, Oregon, California, and Alaska. The company markets non-standard private passenger automobile, commercial automobile including trucks, and motor truck cargo coverages.

Most Washington business is produced through Kenneth I. Tobey, Inc. an affiliated managing general agency. The balance is produced through Cochrane and Co., also a managing general agency.

The company personal lines underwriting records are maintained at the Kenneth I. Tobey, Inc. which is housed with Cascade National Insurance Company in Seattle. The commercial policy records are in the Seattle and Beaverton, Oregon branches of Kenneth I. Tobey, and the Spokane branch of Cochrane and Company.

Harold L. Anderson is the president of Cascade National Insurance Company. Mr. Anderson also owns Legend Holdings, Inc., and is owner and serves as president of Kenneth I. Tobey, Inc. The members of the Board of Directors are Harold L. Anderson, Joseph I. Manning, Ann M. Anderson, and Larry Morrison.

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ADVERTISING

Advertising was examined to determine compliance with the following laws:

RCW 48.30.050 Advertising must show name and domicile. “Every advertisement of, by, or on the behalf of an insurer shall set forth the name in full of the insurer and the location of its home office or principal office, if any, in the United States (if an alien insurer).”

WAC 284-30-660 Deceptive use of quotations or evaluations prohibited. (1) “It is an unfair or deceptive practice and an unfair method of competition pursuant to RCW 48.30.010 for any insurance company, broker, agent, or solicitor in connection with the business of insurance, to utilize quotations or evaluations from rating or advisory services or other independent sources, in a manner likely to deceive the persons to whom the information is directed.

(2) Acts which are prohibited by this section include the following examples: (a) If an insurer represents in its advertising that it has received an "A+" rating from an advisory service, such representation is deceptive unless it includes a clear explanation that such advisory service's practice is to rate insurance companies on the basis of "AAA," "AA," and declining to "A," if such is the case. The absence of such explanation would reasonably cause the ordinary person to believe falsely that the insurer had received the highest rating available from the service."

The company had one piece of advertising which was used outside the exam period. The examiners reviewed this material as the company included the piece in the materials provided to the examiners. This advertisement ran once in the magazine Insurance Week, November 2000. The advertisement was designed for use in trade publications to promote the company's name recognition. It did not promote its specific insurance products. This advertisement included an advisory company rating without explaining the meaning of the rating and is not in compliance with WAC 284-30-660. The use of the A.M. Best rating without an explanation of the rating system was discussed with the company. The company has no plans to use this advertisement in the future.

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AGENT LICENSING AND APPOINTMENTS

Policy records selected for the new and renewal underwriting sample were also used for the agent licensing sample. The examiners compared the agent listed on the policy with the Office of the Insurance Commissioner's (OIC) records to ensure that the agent soliciting business for the company was licensed and appointed pursuant to the requirements of RCW 48.17.060 and RCW 48.17.160. The examiners also reviewed the list of agents provided and identified by the company as appointed agents against the OIC records.

RCW 48.17.060 License required-Exceptions-Penalty. “(1) No person shall in this state act as or hold himself out to be an agent, broker, solicitor, or adjuster unless then licensed therefor by this state.”

RCW 48.17.160 Appointment of agents-Revocation-Expiration-Renewal. “(1) Each insurer on appointing an agent in this state shall file written notice thereof with the commissioner on forms as prescribed and furnished by the commissioner, and shall pay the filing fee therefor as provided in RCW 48.14.010....”

It is the company's policy to appoint all agents representing Cascade National Insurance Company even if they are associated with the general agencies of Kenneth I. Tobey or Cochrane and Co.

Our findings are as follows:

No violations were identified.

Standard: All agents will be licensed by the state of Washington prior to soliciting business for the Company. (0% tolerance)

Result: The Company met this standard.

Standard: All agents must be appointed with the Company prior to soliciting business for the Company. (0% tolerance)

Result: The Company met this standard.

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COMPLAINTS

The purpose of this section of the examination was to review the company complaint handling procedures and compliance to WAC 284-30-650. The complaints were also reviewed for possible adverse trends in claim handling or underwriting. The examiners reviewed 20 of the 64 complaints from the 1999-2000 complaint log.

The company has written procedures for complaint handling, and maintains a database for tracking complaints and maintaining a diary for response. The administrative assistant is responsible for maintaining a complaint log and is responsible for routing claims to the appropriate person to respond. The company's President reviews the responses to the Commissioner's office before they are released. An annual report is also produced for the company's President. This is used to assess the issues, and actions taken to resolve the complaints.

The complaints were evenly split between underwriting and claims. Most underwriting complaints involved policies issued at higher premium than the agent quoted. In all cases the company was able to document that the insured had failed to disclose violations and/or accidents on their application which resulted in the higher premium. The balance of the underwriting files contained complaints over billing or payment processing. Claims complaints involved the disagreements in the value of total loss vehicles, coverage denials, and claimants who objected to liability decisions.

Our findings are as follows:

No adverse trends or violations were found.

Standard: **The Company must respond to inquiries from the OIC within 15 working days.**

Result: **The Company met this standard.**

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UNDERWRITING AND RATING

The examiners selected 115 policies from a population of 8,768 new and renewed commercial and personal lines auto policies for the examination. Forms that became part of the policies were reviewed as part of this underwriting sample. Files were reviewed to determine if:

- the company followed its filed rating plans.
- the company used only approved policy forms and endorsements.
- the company followed its underwriting rules consistently.
- the company was in compliance with Washington laws and regulations.

The examiners also manually rated policies to determine if there were any programmed errors in the company's computer rating system and if the company was using its filed and approved rates.

The following errors were noted and returned to the company for correction.

Commercial lines

- One (1) policy was rated incorrectly because the wrong category of commercial operations was selected resulting in the insured being undercharged. The company will correct this at renewal.
- Two (2) policies were rated with the wrong territory. The correction resulted in return premium of \$649.00 to two insureds.
- One (1) policy contained a PIP rejection that was signed by someone other than the insured. It was returned for correction.
- One (1) commercial policy was rated without the 5% package credit being applied. This was returned for correction. This resulted in \$64.00 returned to one insured.

Personal lines

- One (1) policy contained an error in calculating the discounts for multi-car. The correction resulted in a return premium of \$92.00 to the insured.
- One (1) policy contained an error because the agent had not cancelled the SR22 filing when the renewal offer was sent. The correction resulted in a return premium of \$10.00 to the insured.

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- One (1) policy was written listing both the husband and wife as insured. When a newer form was used on the next renewal, the spouse was not identified as an insured. This was returned for correction as this was a Named Operator policy that only gives coverage for those specifically named in the declarations.
- One (1) policy was written without the PIP and UM coverage as requested. This was returned to underwriting for correction.
- Two (2) files were rated using the wrong territory. The correction of one policy resulted in return premium of \$96.89 to one insured. The other policy was under-rated and will be corrected at renewal.

Additional findings are as follows: (Files may be identified in more than one category if they contained multiple violations.)

RCW 48.05.190 Name of insurer. "(1) Every insurer shall conduct its business in its own legal name."

- Four (4) personal auto policies contained six (6) letters that failed to identify Cascade National Insurance Company as the insurer.
- One (1) commercial policy contained one Certificate of Insurance that identified the general agent instead of Cascade National Insurance Company as the insurer.

(See Appendix I for detail.)

Total Population	Sample Size	# Violations	% in Violation
8768	115	5 policies	4.3%

Standard: **The Company must conduct business in its own name.**

Result: **The Company met this standard.**

Subsequent Event: An underwriting memo reminding the agencies of the requirement to identify the insuring company was sent to each of the general agencies.

WAC 284-24-100 Standards for schedule rating plans.

"(2) A schedule rating plan shall provide for no more than a twenty-five percent credit (reduction) or debit (charge). A schedule rating plan shall not be combined with other rating plans or rating rules in such a way that the schedule rating affects the premium by more than twenty-five percent."

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"(3) Any expense modification rule which does not prescribe specific credits or debits for particular situations is considered to be similar to schedule rating. In such a case, the combined effect of schedule and expense modifications shall not exceed twenty-five percent."

"(5) A schedule rating plan must provide for an objective analysis by the insurer of the risk and be based on specific factual information supporting the rating."

"(7) A schedule rating plan shall be administered equitably and applied fairly to every eligible risk which an insurer elects to insure. Records supporting the development of individual risk modifications shall be retained by the insurer for a minimum of three years or until the conclusion of the next regular examination conducted by the insurance department of its domicile, whichever is later, and made available at all reasonable times for the commissioner's examination. The records must include copies of all documentation used in making each particular determination, even though a credit or debit may not result."

The examiners reviewed 115 files to determine if schedule rating applied. Of those files with schedule ratings, there were 8 violations. The number of violations indicated to the examiners that training is needed to educate personnel about the documentation requirements of WAC 284-24-100.

- Seven (7) files were debited without the required supporting documentation and analysis. This resulted in return premium of \$3199.00 to insureds.
- One (1) file was credited without the supporting documentation and analysis. As this resulted in undercharging the insured, it will be corrected at renewal.

(See Appendix II for detail.)

Total Population	Sample Size	# Violations	% in Violation
8768	115	8	6.9%

Standard: Underwriting files must be documented to show fair and equitable application of credits and debits.

Result: The Company did not meet this standard.

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RATE AND FORM FILING

Rate and form filings were reviewed from the 115 new and renewed policies used in the underwriting sample to determine if the companies were complying with the laws regarding the filing of rates and forms.

The companies utilized a combination of Insurance Services Office (ISO) and company developed rates and rules for both commercial and personal lines.

Both commercial and personal lines product forms are either ISO forms, a combination of ISO and company developed forms, or strictly forms developed by the company utilizing information from its own experience and perceptions of the needs of the market place.

The examiners identified two (2) errors in the Commercial Auto Manual.

- The company manual indicated that five (5) or more units were required to be eligible for schedule rating. The company advised that it had never limited the use of schedule rating to policies with fleets of five or more. The company indicated the rate manual had been in place in the same format when the company was purchased from Clarendon. The company's intent was to use schedule rating on all commercial vehicles.

Subsequent event: The company issued an underwriting bulletin while the examiners were on site advising that schedule rating was not to be used until the filed rate manual was corrected.

- The package credit was not clearly written to explain what combination of coverage qualified as a "line of coverage" to receive package credit discounts.

Subsequent event:

The company provided documentation to the examiners that indicated a revised filing was in progress and would be submitted to the OIC for approval within 30 days. The revised filing will incorporate corrections to both the schedule credit language, and the package credit language in the manual.

Rate Filings

RCW 48.19.040 Filing required-Contents.

"(6)Where a filing is required no insurer shall make or issue an insurance contract or policy except in accordance with its filing then in effect, except as provided by RCW 48.19.090."

This code section applies to both commercial and personal lines of business. There were no findings for personal lines.

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Our findings are as follows:

Commercial Lines

- 27 policies were rated between July 20, 1999 and August 1, 2000 with manual rate pages that showed incorrect rates. All policies were charged less than the filed rating plan. According to the company, this problem was isolated in the Spokane Branch of Cochrane and Co., one of Cascade National's general agents. The company distributed a diskette for rating and rating pages. One agent rated from the rate pages, which were incorrect. The company had identified the problem and resolved it prior to this examination. The list of 27 policies that were incorrectly rated was provided at the request of the examiners after finding the discrepancy when rating one of the files from the sample.

(See Appendix III for detail.)

Standard: Rates must be filed and approved prior to use. (0 tolerance)

Results: The Company did not meet this standard.

Rate Manuals

RCW 48.19.040 Filing required - Contents.

"(1) Every insurer or rating organization shall, before using, shall file with the commissioner every classifications manual, manual of rules and rates, rating plan, rating schedule, minimum rate, class rate, and rating rule, and every modification of any of the foregoing which it proposes...."

This code section applies to both commercial and personal lines of business. There were no findings in commercial lines.

Personal Lines

- The examiners determined that there was discrepancy between the company's Personal Auto rate manual in the section explaining the Accident Free Renewal/Transfer Discount and the way the computer programming processed the discount factor. The manual contained the following explanation of the Accident Free Renewal/Transfer Discount. "Apply a 5% discount to all factor rated coverages at renewal if all insured drivers covered under the policy have no "at-fault" accidents for the most recent 12 month period. Apply a 10% discount at the second qualifying renewal, 15% for the third, etc. (Transfer Discount requires PROOF of prior coverage.)

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The company wrote both semi-annual and annual policies. The accident free discount was not applied consistently. It appears from the explanation in the rating manual that the discount should be applied on an annual basis (12, 24, and 36 months). The computer was programmed to apply discounts at 6-month intervals on semi-annual policies, and at 12-month intervals on annual policies.

Discussions were held with the company regarding the need to clearly define when the accident free discount applies in the rating manual and ensure that the computer is programmed to apply the discount consistently to all eligible policies

Six (6) examples of these discount inconsistencies are listed in the appendix. (See Appendix III for detail.)

Standard: Rate manuals must be filed and approved prior to use. (0 tolerance)

Results: The Company did not meet this standard.

Subsequent event: The company advised the examiners that the Personal Lines Filing was revised and filed with the OIC. The company indicates that the revised manual resolves the discrepancies in the discounts, and correctly reflects the programming.

- The renewal certificate being used was not filed and approved for use. The company did not believe it was required to file it.

Subsequent event: The company has revised its renewal procedure. It will no longer use the renewal certificate. Instead, it will send a renewal quote and issue a filed and approved declaration page when the policy is renewed.

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CANCELLATION AND NON-RENEWALS

The examiners selected 66 policies from a population of 3451 commercial and personal lines policies for examination. The policies were either cancelled or non-renewed during the exam period. The files were reviewed to determine if the company was in compliance with state laws governing cancellations and non-renewals.

The following error was noted and returned to the company for review:

One (1) policy contained a non-renewal notice that read "Appointment terminated for underwriting reasons." This was returned to the company for review, as RCW 48.17.591(1) does not permit non-renewal because an agent's appointment was terminated.

It was also noted that the general agencies are performing a number of functions on behalf of the company. The examiners noted that correspondence from the general agencies does not always identify the insuring company they represent. These were returned to the company with a recommendation that procedures be reviewed to ensure that the company is identified in all correspondence.

Our findings are as follows:

RCW 48.05.190 Name of insurer. "(1) Every insurer shall conduct its business in its own legal name."

- One (1) letter regarding a cancellation request did not identify Cascade National Insurance Company as the insurer.
- One (1) letter discussing non-payment cancellation did not identify Cascade National Insurance Company as the insurer.
- Three (3) cancellation notices did not show the name of the insuring company. Instead of identifying Cascade National Insurance Company, the name of the managing general agent was given.

(See Appendix I for detail.)

Total Population	Sample Size	# Violations	% in Violation
3451	66	5 policies	7%

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Standard: The Company must conduct business in its own name.

Result: The Company did not meet this standard.

Subsequent event: The company has provided a corrected cancellation notice that identifies Cascade National Insurance Company as the insurer.

WAC 284-30-570 Actual reason for canceling, denying or refusing to renew insurance to be disclosed. “Whenever an insurer is required by law to give the reason for its canceling, denying, or refusing to renew insurance, as, for example, pursuant to RCW 48.18.291, 48.18.292, or 48.30.320, it shall give the true and actual reason for its action in clear and simple language, so that the insured or applicant will not need to resort to additional research to understand the real reason for the action...”

- Five (5) commercial lines policies contained cancellation notices that stated the reason for cancellation was “Company request”. The form also contained a complete explanation of what must be done to reinstate the policy. However, it was not clearly stated that the steps required to re-instate the policy were the actual reasons for cancellation. (See Appendix IV for detail.)
- One (1) policy contained a cancellation notice that stated the reason for the cancellation was “company request loss history”

Total Population	Sample Size	# Violations	% of Violations
3451	66	6	9%

Standard: Cancellation notices must contain the true and correct reason for cancellation.

Result: The Company did not meet this standard.

Subsequent Event: The company provided the examiners a copy of a revised form that should allow the company to state a clear reason for policy cancellation or non-renewal. Use of the revised form was implemented while the examiners were on site. The company also requested confirmation of implementation of a change in procedures to ensure compliance from the general agencies.

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CLAIM SETTLEMENT PRACTICES

The examiners selected 162 claims from a population of 1283 commercial and personal claims for the examination. The files were examined for compliance with laws and regulations including those governing fair claims practices, total loss settlement practices, salvage disposal, and subrogation.

All claims are handled through the third party administrator, Allied Pacific Adjusting Group. The company's vice president of claims is housed in the offices of the third party administrator to provide supervision and greater control on the claims activities.

Recovery for insureds totaled \$3,413.63 on 37 files.

The following errors in claim handling were noted. These files were returned to the company for correction or review.

- Two (2) liability claims were settled without contacting the insured to confirm liability. The investigations in the file did not contain independent evidence to support the decisions.
- Two (2) Personal Injury Protection claims were returned to the company to investigate the possibility that a wage claim was overlooked.
- One (1) file contained unwarranted delays in the investigation.
- Three (3) files contained correspondence that was not addressed within the time frame required in WAC 284-30-360(3). One (1) correction resulted in a payment of \$149.00 to one (1) insurance company.
- Two (2) files had salvage documentation that was not processed correctly.
- One (1) file contained a payment processed on the wrong coverage line. This was returned to the company for correction.

Additional findings are as follows: (Files may be listed in more than one category if they contained multiple violations)

WAC 284-30-340 File and record documentation. "The insurer's claim files shall be subject to examination by the commissioner or by his duly appointed designees. Such files shall contain all notes and work papers pertaining to the claim in such detail that pertinent events and the dates of such events can be reconstructed."

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- Nine (9) files did not contain sufficient documentation to satisfy the requirements of this law. (See Appendix V for detail.)

Total Population	Sample Size	# Violations	% of Violations
1283	162	9	5%

Standard: Claim files must contain sufficient documentation to reconstruct pertinent events and the dates of those events.

Result: The Company did not meet this standard.

WAC 284-30-390 Standards for prompt, fair and equitable settlements applicable to automobile insurance. The following standards apply to insurance claims relating to motorcycles and private passenger automobiles as defined in RCW 48.18.297:

(1) “When the insurance policy provides for the adjustment and settlement of first party automobile total losses on the basis of actual cash value or replacement with another of like kind and quality, one of the following methods must apply:

(a) The insurer may elect to offer a replacement automobile which is a specific comparable automobile available to the insured, with all applicable taxes, license fees and other fees incident to transfer of evidence of ownership of the automobile paid, at no cost other than any deductible provided in the policy...”

(b) The insurer may elect a cash settlement based upon the actual cost, less any deductible provided in the policy, to purchase a comparable automobile including all applicable taxes, license fees, and other fee incident to transfer of evidence of ownership of a comparable automobile. Such cost may be determined by

(i) The cost of a comparable automobile in the local market area when a comparable automobile is available in the local market area. Any settlement offer which relies upon prices of automobiles advertised for sale in local newspapers may include only prices for automobiles verified by the insurer as being comparable in age and condition to the insured automobile; or

(ii) One of two or more quotations obtained by the insurer from two or more qualified dealers located within the local market area when a comparable automobile is not available in the local market area. An insurer must accurately describe the age and condition of the insured automobile to the dealers surveyed and may use only price quotations for the retail selling price of a comparable automobile.

(c) When a first party automobile total loss is settled on a basis which deviates from the methods described in subsections (1)(a) and (1)(b) of this section, the deviation must be supported by documentation giving particulars of the automobile condition. Any deductions from such cost, including deduction for salvage, must be measurable, discernible, itemized and specified as to the dollar amount and shall be appropriate in amount...”

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- The examiners determined that there were claims involving first party total losses that had been settled without including the title transfer fees. The company was instructed to review all total losses since January 1999. Thirty-three (33) files were identified that did not contain documentation that the title transfer fees had been paid. Recovery to the insureds totaled \$231.00 on 33 files. These files are not represented in the table below, as they were not part of the initial sample.
- Seven (7) files contained total losses that were not evaluated according to the requirements of WAC 284-30-390(1). Re-evaluations, where required, resulted in additional payments totaling \$3,033.63 to three (3) insureds.

(See Appendix VI for detail.)

Total Population	Sample Size	# Violations	% of Violations
1283	162	7	4.3%

Standard: Total loss evaluations must accurately reflect the local market value of the damaged vehicle.

Result: The Company met this standard.

Subsequent event: The company has instructed its vendor and appraisers to verify mileage on all vehicles included in total loss evaluations. The company has also instructed that transfer fees be included in all total loss settlements.

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INSTRUCTIONS

1. The company is instructed to comply with RCW 48.05.190(1) and establish procedures that ensure policy documents and correspondence correctly identify the legal name of the insuring company. (Pages 12 and 17)
2. The company is instructed to comply with RCW 48.19.040(6) and always issue its policies in accordance with its filings. (Page 14 and 15)
3. The company is instructed to comply with WAC 284-24-100(1)-(7) by following all documentation and analysis requirements, applying the approved schedule rating plan only to risks defined as eligible in the plan. (Page 12)
4. The company is instructed to comply with WAC 284-30-570 to ensure notices of non-renewal or cancellation sent to the insured are in clear simple language that requires no additional research for the insured to understand the action. (Page 18)
5. The company is instructed to comply with WAC 284-30-340 to ensure claim files contain all required work papers and log notes. (Page 19)
6. The company is instructed to comply with WAC 284-30-390(1)(a)(b)(i-ii) and (c) when establishing the market value of total loss vehicles, including payment of all applicable taxes and license fees. (Page 20)

RECOMMENDATIONS

1. It is recommended that the company establish a procedure to manually rate a sample of all policies following any programming changes to ensure that rates and the rate manual information programmed are in accordance with the OIC filings.

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APPENDIX I
Policies in Violation of RCW 48.05.190(1)
Insurers Must Do Business in Their Own Legal Name

Policy Number	Comments
CP46055108	Letter from Kenneth I. Tobey regarding the re-instatement of a policy did not identify Cascade National Insurance Company as the insurer.
CP46029378	Letter from Kenneth I. Tobey regarding additional premium owed on a policy did not identify Cascade National Insurance Company as the insurer.
CP46051134	Letter from Kenneth I. Tobey regarding correcting a policy number by canceling and re-issuing the policy did not identify Cascade National Insurance Company as the insurer.
CP46030013	Three letters from Kenneth I. Tobey regarding policy activity not identify Cascade National Insurance Company as the insurer.
CS46110076	Certificate of Insurance identifies Cochrane & Co. as the insurer instead of Cascade National Insurance Company.
CP46050076	Letter from Kenneth I. Tobey regarding cancellation request did not identify Cascade National Insurance Company as the insurer.
CC46002854	Letter from Kenneth I. Tobey regarding a non-payment cancellation did not identify Cascade National Insurance Company as the insurer.
CP46058455	Notice of Cancellation does not identify Cascade National Insurance Company as the insurer.
CP46058939	Notice of Cancellation does not identify Cascade National Insurance Company as the insurer.
CP46058880	Notice of Cancellation does not identify Cascade National Insurance Company as the insurer.

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APPENDIX II
Policies in Violation of RCW 48.05.190(1)
Insurers Must Do Business in Their Own Legal Name

Policy Number	Comments
CC46002905	Schedule debits were applied without supporting documentation or analysis as required, resulting in return premium of \$228.
CC46002544	Schedule debits were applied without supporting documentation or analysis as required, resulting in return premium of \$20.
CC46002541	Schedule debits were applied without supporting documentation or analysis as required, resulting in return premium of \$124.
CC46002663	Schedule debits were applied without supporting documentation or analysis as required, resulting in return premium of \$56.
CC46002581	Schedule debits were applied without supporting documentation or analysis as required, resulting in return premium of \$301.
CS46110029	Schedule debits were applied without supporting documentation or analysis as required, resulting in return premium of \$1016.
CS46110097	Schedule debits were applied without supporting documentation or analysis as required, resulting in return premium of \$1454.
CC46002854	Schedule credits were applied without supporting documentation or analysis as required.

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APPENDIX III

Policies in Violation of RCW 48.19.040(6) - Rates Must Be Approved Prior to Use

Commercial Lines

Policy Number	Comments
CS46110010	Manually rated with incorrect rate page. Consumer undercharged.
CS46110018	Manually rated with incorrect rate page. Consumer undercharged.
CS46110019	Manually rated with incorrect rate page. Consumer undercharged.
CS46110020	Manually rated with incorrect rate page. Consumer undercharged.
CS46110024	Manually rated with incorrect rate page. Consumer undercharged.
CS46110025	Manually rated with incorrect rate page. Consumer undercharged.
CS46110028	Manually rated with incorrect rate page. Consumer undercharged.
CS46110033	Manually rated with incorrect rate page. Consumer undercharged.
CS46110034	Manually rated with incorrect rate page. Consumer undercharged.
CS46110037	Manually rated with incorrect rate page. Consumer undercharged.
CS46110040	Manually rated with incorrect rate page. Consumer undercharged.
CS46110041	Manually rated with incorrect rate page. Consumer undercharged.
CS46110043	Manually rated with incorrect rate page. Consumer undercharged.
CS46110044	Manually rated with incorrect rate page. Consumer undercharged.
CS46110045	Manually rated with incorrect rate page. Consumer undercharged.
CS46110046	Manually rated with incorrect rate page. Consumer undercharged.
CS46110047	Manually rated with incorrect rate page. Consumer undercharged.
CS46110049	Manually rated with incorrect rate page. Consumer undercharged.
CS46110050	Manually rated with incorrect rate page. Consumer undercharged.
CS46110051	Manually rated with incorrect rate page. Consumer undercharged.
CS46110055	Manually rated with incorrect rate page. Consumer undercharged.
CS46110056	Manually rated with incorrect rate page. Consumer undercharged.
CS46110060	Manually rated with incorrect rate page. Consumer undercharged.
CS46110062	Manually rated with incorrect rate page. Consumer undercharged.
CS46110063	Manually rated with incorrect rate page. Consumer undercharged.
CS46110064	Manually rated with incorrect rate page. Consumer undercharged.
CS46110068	Manually rated with incorrect rate page. Consumer undercharged.

Personal Lines

Policy Number	Comments – Examples of violation
CP46028980	Rating manual does not match programming of loss free credits.
CP46033999	Rating manual does not match programming of loss free credits.
CP46048401	Rating manual does not match programming of loss free credits.
CP46025587	Rating manual does not match programming of loss free credits.
CP46035515	Rating manual does not match programming of loss free credits.
CP46043051	Rating manual does not match programming of loss free credits.

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APPENDIX IV
WAC 284-30-570 Insurer Must Give True
And Actual Reason for Denial, Cancellation, etc.

Policy Number	Comments
CC 46002305	Notice of Cancellation or non-renewal does not identify the actual reason for the company's action. It shows "Company Request"
CC46002447	Notice of Cancellation or non-renewal does not identify the actual reason for the company's action. It shows "Company Request"
CC46002473	Notice of Cancellation or non-renewal does not identify the actual reason for the company's action. It shows "Company Request"
CC46002556	Notice of Cancellation or non-renewal does not identify the actual reason for the company's action. It shows "Company Request"
CC46002535	Notice of Cancellation or non-renewal does not identify the actual reason for the company's action. It shows "Company Request"
CS46110027	Notice of Cancellation states the reason for the company's action is "Company Request Loss History."

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APPENDIX V
WAC 284-30-340 Insurer Claim Files to Contain All
Documentation

Policy Number	Comments
AP 15363	Report noted the insured was contacted, there was nothing recorded in the log notes to document the event.
AP 12579	There was no date stamp on the PIP application to document when it was received by the company
AP 13745	There were no date stamps to indicate when the medical bills were received.
AP 13115	The original total loss market research report was not on the file. The company was unable to locate the original documentation.
AP15500	Correspondence and medical bills in the file were not date stamped to document when the company received them.
AP 12579	There was no date stamp on the PIP application to document when it was received by the company
AP 11257	There were delays in the file that were not explained in the log notes.
AP 12859	Coverage for the claim was being denied according to the log notes. The claim was paid. There was no explanation in the file.
AP 11343	Log notes were unclear regarding the disposition of the trailer title. It is not known if the title was ever received, or if it went to the salvage buyer who is now out of business.

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APPENDIX VI
WAC 284-30-390(1) and (2) Total Loss Valuation Methods

Policy Number	Comments
AP11438	Unable to identify which vehicles listed in the vendor's research report were used by the appraiser to determine the value of the total loss.
AP 11052	Vehicle included in the total loss evaluation process was not verified as being in similar condition to the insured as the mileage on the comparable vehicle was not verified.
AP 10758	Vehicles included in the total loss evaluation process were not verified as being in similar condition to the insured because the mileage on the comparable vehicles was not verified.
AP11257	Basis for salvage value was not documented as required.
AP 14790	Appraiser calculated the total loss and salvage value incorrectly, and the comparable vehicles were not in the local market area. Recovery to insured \$1284.37
AP14053	Vehicles included in the total loss evaluation process were not taken from the local market area. Recovery to the insured \$1549.26.
AP12145	Deductions were taken from the market value of the vehicle. The high mileage deduction was documented; other deductions were not documented. Recovery to insured \$200.
AP03697	Title transfer fee not included. Recovery to insured \$7.00
AP03955	Title transfer fee not included. Recovery to insured \$7.00
AP04284	Title transfer fee not included. Recovery to insured \$7.00
AP04285	Title transfer fee not included. Recovery to insured \$7.00
AP04368	Title transfer fee not included. Recovery to insured \$7.00
AP04370	Title transfer fee not included. Recovery to insured \$7.00
AP04397	Title transfer fee not included. Recovery to insured \$7.00
AP043582	Title transfer fee not included. Recovery to insured \$7.00
AP05168	Title transfer fee not included. Recovery to insured \$7.00
AP05177	Title transfer fee not included. Recovery to insured \$7.00
AP05507	Title transfer fee not included. Recovery to insured \$7.00
AP05589	Title transfer fee not included. Recovery to insured \$7.00
AP05606	Title transfer fee not included. Recovery to insured \$7.00
AP06077	Title transfer fee not included. Recovery to insured \$7.00
AP06306	Title transfer fee not included. Recovery to insured \$7.00
AP06439	Title transfer fee not included. Recovery to insured \$7.00
AP06535	Title transfer fee not included. Recovery to insured \$7.00

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Policy Number	Comments
AP06682	Title transfer fee not included. Recovery to insured \$7.00
AP07233	Title transfer fee not included. Recovery to insured \$7.00
AP07502	Title transfer fee not included. Recovery to insured \$7.00
AP07546	Title transfer fee not included. Recovery to insured \$7.00
AP07976	Title transfer fee not included. Recovery to insured \$7.00
AP08150	Title transfer fee not included. Recovery to insured \$7.00
AP08559	Title transfer fee not included. Recovery to insured \$7.00
AP08673	Title transfer fee not included. Recovery to insured \$7.00
AP08761	Title transfer fee not included. Recovery to insured \$7.00
AP09122	Title transfer fee not included. Recovery to insured \$7.00
AP09188	Title transfer fee not included. Recovery to insured \$7.00
AP09670	Title transfer fee not included. Recovery to insured \$7.00
AP09993	Title transfer fee not included. Recovery to insured \$7.00
AP10621	Title transfer fee not included. Recovery to insured \$7.00
AP10873	Title transfer fee not included. Recovery to insured \$7.00
AP11343	Title transfer fee not included. Recovery to insured \$7.00

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